

OFFICE OF THE AUDITOR GENERAL

229

REVIEW OF
THE INVESTMENT BY THE CITY OF LOS ANGELES
IN THE LOS ANGELES HARBOR
AND RELATED EXPENDITURES

OCTOBER 1974

Joint Legislative Audit Committee

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California Legislature

VINCENT THOMAS
CHAIRMAN

ROOM 4126, STATE CAPITOL
SACRAMENTO, CALIFORNIA 95814
(916) 445-7906

TONY BOLOBNOW, COORDINATOR
(916) 445-7907

EVE OSTOJA, OFFICE MANAGER
(916) 445-7908

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November 1, 1974

The Honorable Speaker of the Assembly
The Honorable President of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members:

Transmitted herewith is the Auditor General's report pertaining to the investment by the City of Los Angeles in the Los Angeles Harbor and related expenditures of the Los Angeles Harbor tidelands trust funds for the 66-year history of the harbor since its inception in 1908, when the first Harbor Commission was appointed as a planning body for the harbor.

In 1909, Wilmington and San Pedro were consolidated with the City of Los Angeles giving Los Angeles jurisdiction over the harbor areas. In 1911, the California State Legislature granted to the City of Los Angeles all the tidelands and submerged lands within the city boundaries, for the purposes of establishing, maintaining and operating a harbor. Also in 1911, the Los Angeles City Charter was amended to create the Harbor Department. In 1925 the authority to set aside money in the Harbor Revenue Fund for payment of principal and interest on harbor improvement bonds was transferred from the Los Angeles City Council to the Board of Harbor Commissioners, who are appointed by the Mayor.

Under Sections 138 and 140 of the Los Angeles City Charter, the harbor is now managed, supervised and controlled for the purposes of commerce, fisheries and navigation by the five-member Board of Harbor Commissioners. City Council approval, however, is required for setting of certain rates, tolls and charges and the entering into of certain leases.

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The City of Los Angeles has a net investment in the harbor of \$33,650,346 consisting of \$43,300,895 contributed by the City less \$9,650,549 previously returned by the Harbor Department to the City. Included in this return by the Harbor Department is \$4,080,000 in cash and \$3,832,441 which was interest earned on Harbor Revenue Fund cash balances on deposit with the City Treasurer prior to 1961, but which has never been credited to the Harbor Department.

Included in the City's investment of \$43,300,895 in the harbor is \$34,746,664 expended from tax revenues for both interest and redemption of bonds for harbor improvements.

The repayment of such bond interest and redemption monies to the City of Los Angeles by the Harbor Department is permissive and not mandatory on the part of the Board of Harbor Commissioners.

Pursuant to Section 145(4) of the City Charter of the City of Los Angeles, such repayments for the general obligation bond payments previously made by the City cannot be made by the Harbor Department, unless specifically authorized by the Board of Harbor Commissioners and unless a surplus remains after the Harbor Department has paid for all necessary harbor expenditures, including expenditures for maintenance and operation, principal and interest on harbor revenue bonds, and harbor improvements.

The Auditor General has concluded that prior to making such repayments to the City, the Board of Harbor Commissioners should assure itself that all necessary expenditures, as specified in the City Charter, have been paid. Further, the board should assure itself that surplus funds actually exist for such repayments.

During the period 1908 to 1973, the Harbor Department has had a net cash inflow of \$399.4 million and has spent \$369.8 million for harbor improvements, operating and administrative expenses, payment of general obligation bonds and revenue bonds and for other purposes. Although not required to do so under the provisions of the City Charter, the harbor has repaid \$23.8 million to holders of general obligation bonds during the period 1908 through 1969.

Improper charges for City Fire Department responses to properties outside of the Harbor Department's authority and for responses to accidental false alarms have been included in a bill prepared by the City Administrative Officer. As a result, this billing of \$3.4 million for fire protection and other services provided to the harbor during fiscal year 1973-74 is overstated by an estimated

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\$810,000. The billing was transmitted by the City Administrative Officer to the City Council which subsequently authorized its submission to the Harbor Department. The City Administrative Officer has not yet submitted the bill to the Harbor Department.

The Auditor General has recommended that the Los Angeles City Administrative Officer reduce its billing to the Harbor Department for fire protection and other services provided to the harbor during fiscal year 1973-74 by \$810,000 prior to submission of the bill to the Harbor Department.

The Harbor Department did not bill the City of Los Angeles approximately \$800,000 for rent of harbor land used by the City for general city purposes during fiscal year 1973-74. These Harbor Department lands were used for various purposes by the City's Personnel, Recreation and Parks, Public Works and Fire Departments.

It is recommended that the Harbor Department bill the City of Los Angeles \$800,000 for harbor lands used by the City for general city purposes during fiscal year 1973-74.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Vincent Thomas", with a long, sweeping underline.

VINCENT THOMAS, Chairman
Joint Legislative Audit Committee

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FINDING

The City of Los Angeles has a \$33,650,346 net investment in the Los Angeles Harbor. Repayment of such investment is permissive in that it can be made only if authorized by the Board of Harbor Commissioners, and repayment of this investment pertaining to general obligation bond payments made by the City from tax revenues can only be made from surplus amounts in the Harbor Revenue Fund.

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CONCLUSION

We conclude that prior to making such repayments, the Board of Harbor Commissioners should assure itself that all necessary expenditures, as specified in the City Charter, have been paid, and that surplus funds actually exist for such repayments.

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FINDING

The billing submitted to the Los Angeles City Council by the City Administrative Officer for \$3.4 million for fire protection and other services provided to the Harbor Department during fiscal year 1973-74 is overstated by an estimated \$810,000.

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RECOMMENDATION

We recommend that the Los Angeles City Administrative Officer reduce its billing to the Harbor Department for fire protection and other services provided to the harbor during fiscal year 1973-74 by \$810,000 prior to submission of the bill to the Harbor Department.

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BENEFITS

Implementation of this recommendation will result in a more correct billing by the City of Los Angeles to the Harbor Department.

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FINDING

The Harbor Department did not bill the City of Los Angeles approximately \$800,000 for rent of harbor land used by the City for general city purposes during fiscal year 1973-74. 19

RECOMMENDATION

We recommend that the Harbor Department bill the City of Los Angeles \$800,000 for harbor land used by the City for general city purposes during fiscal year 1973-74. 20

BENEFITS

Implementation of this recommendation will result in a proper billing by the Harbor Department to the City of Los Angeles. 20

INTRODUCTION

In response to a legislative request, we have reviewed the investment by the City of Los Angeles in the Los Angeles Harbor and the expenditures of the Los Angeles Harbor tidelands trust funds. Our review encompassed the 66-year history of the harbor since its inception in 1908.

In 1908, the first Los Angeles Harbor Commission was appointed as a planning body for the harbor. In 1909, Wilmington and San Pedro were consolidated with the City of Los Angeles giving Los Angeles jurisdiction over the harbor areas.

In 1911, the Legislature of the State of California granted to the City of Los Angeles all of the rights, titles and interest to the tidelands and submerged lands within the boundaries of the City of Los Angeles (Cal. Stats., 1911, Ch. 656). According to the statutes, the lands granted could be used only for the establishment, improvement, and conduct of a harbor and for construction, maintenance, and operations of wharves, docks, etc., necessary for the promotion and accommodation of commerce and navigation.

Also, in 1911, the City Charter of Los Angeles was amended, and the Los Angeles Harbor Department was created. Under Section 185 of the Los Angeles City Charter, all revenues derived from the harbor were to be credited to a fund called the Harbor Revenue Fund and kept separate and apart from other monies of the City.

Prior to 1925, the City Council had the power to set aside money in the Harbor Revenue Fund for payment of principal and interest on harbor improvement bonds. This power was removed in 1925 and transferred to the Board of Harbor Commissioners.

Under Sections 138 and 140 of the Los Angeles City Charter, the harbor is now managed, supervised and controlled for the purposes of commerce, fisheries and navigation by the five-member Board of Harbor Commissioners, which is appointed by the Mayor of Los Angeles. The authority of the Harbor Commissioners is subject to the limited authority of the City Council to approve certain leases and certain rates, tolls, and charges.

Sources and Uses of Funds

The following schedule shows the sources and uses of cash received by the Harbor Department during the period 1908 to 1973, as rounded to the nearest \$100,000. Amounts have been summarized from financial statements audited by independent public accounting firms.

Sources

Revenue from harbor operations	\$301,000,000
Sale of harbor revenue bonds	54,000,000
Sale of general obligation bonds	29,900,000
Interest income from investment of temporarily idle funds	10,700,000 ^{1/}
Other income and miscellaneous adjustments	3,800,000
Total Sources	<u>\$399,400,000</u>

Uses

Harbor improvements	179,900,000 ^{2/}
Operating and administrative expenses	133,700,000 ^{3/}
General obligation bonds redemption and interest	23,800,000 ^{4/}
Harbor revenue bond redemption and interest	26,600,000
Payments made by the Harbor Department to the City of Los Angeles as partial repayment of the City's investment in the harbor	4,100,000
Improvements outside of harbor territory paid for by the Harbor Department funds	1,700,000
Total Uses	<u>\$369,800,000</u>
Cash Balance June 30, 1973 (includes \$5,800,000 in U.S. Treasury Bonds)	<u>\$ 29,600,000</u>

(See footnotes on following page.)

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- 1/ In addition to the \$10,700,000 in interest income received by the Harbor Department, approximately \$3,832,441 in interest was earned by the Harbor Department on its funds deposited with the City Treasurer for years prior to 1961. This \$3,832,441 has not been paid to the Harbor Department, but instead has been retained by the City of Los Angeles in its General Fund.
- 2/ Not included in the \$179,900,000 of Harbor Department improvements is land valued at \$3,076,901 donated to the Harbor Department by the City.
- 3/ Not included in the \$133,700,000 of Harbor Department operating and administrative expenses is approximately \$5,432,300 in Harbor Department pension fund contributions paid by the city out of general tax revenues during the period 1938 to 1968.
- 4/ In addition to the \$23,800,000 of general obligation bond interest and redemption paid out of Harbor Department funds, \$34,800,000 has been paid by the City out of general tax revenues.

FINDINGS

THE CITY OF LOS ANGELES HAS A \$33,650,346
NET INVESTMENT IN THE LOS ANGELES HARBOR.
REPAYMENT OF SUCH INVESTMENT IS PERMISSIVE
IN THAT IT CAN BE MADE ONLY IF AUTHORIZED
BY THE BOARD OF HARBOR COMMISSIONERS, AND
REPAYMENT OF THIS INVESTMENT PERTAINING TO
GENERAL OBLIGATION BOND PAYMENTS MADE BY THE
CITY FROM TAX REVENUES CAN ONLY BE MADE FROM
SURPLUS AMOUNTS IN THE HARBOR REVENUE FUND.

Our review disclosed that the City of Los Angeles has a net investment in the harbor of \$33,650,346 consisting of \$43,300,895 contributed by the City, less \$9,650,549 returned by the Harbor Department.

Not included in the \$33,650,346 are the costs of certain unbilled services provided by the City to the Harbor Department prior to fiscal year 1973-74, and unbilled rent due to the Harbor Department from various City departments. The unbilled rent amounts to an estimated \$6,000,000 including \$800,000 for fiscal year 1973-74. Records are not available for making a reliable estimate of the total amount of unbilled City services provided by the City to the harbor prior to fiscal year 1973-74.

Increases in Investment

The City of Los Angeles has contributed \$43,300,895 to the harbor operations during its 66-year history as follows:

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General obligation bond redemption and interest paid by the City out of general tax revenues for harbor improvement	\$34,746,664*
Harbor Department Pension Fund contributions paid by the City out of general tax revenues	5,432,300
Land donated by the City of Los Angeles to the Harbor Department	3,076,901
Advance to the Harbor Department by the City	<u>45,030</u>
Total	<u>\$43,300,895</u>

*Includes \$24.9 million for bonds issued prior to 1925.

General Obligation Bonds

The City of Los Angeles issued \$29,900,000 of general obligation bonds for harbor improvement. During the period 1909 through 1964, the City of Los Angeles raised by taxation and paid \$34,746,664 for bond interest and redemption of these bonds.

Pension Fund

In 1938, the City of Los Angeles established a pension fund for Harbor Department employees. No pension fund contributions were made by the Harbor Department until 1969. We estimate that \$5,432,300 was paid by the City out of the general tax revenues for pension fund contributions on behalf of Harbor Department employees during the period 1938 to 1968.

Donated Land

In fiscal year 1955-56, the City of Los Angeles donated land valued at \$267,901 to the Harbor Department. In fiscal year 1960-61, additional land valued at \$2,809,000 was donated to the Harbor Department. These two donations increased the investment of the City of Los Angeles by \$3,076,901.

Advance to Harbor Department

Also included in the City's investment is \$45,030 advanced from the city general fund to the Harbor Department prior to 1925.

Decreases in Investment

The City of Los Angeles has received \$9,650,549 from the Harbor Department. The following schedule shows the factors which have decreased the investment of the City of Los Angeles.

Payments to the City of Los Angeles General Fund by the Harbor Department as partial repayment of the City's investment in the harbor	\$4,080,000
Interest earned on Harbor Department cash on deposit in the City Treasury but not paid to the Harbor Department	3,832,441
Harbor Department funds spent on properties of general municipal nature outside the immediate harbor territory	1,570,666*
Balance in Bond Redemption and Interest Fund on deposit with City Treasurer as of 6/30/74	<u>167,442</u>
Total	<u>\$9,650,549</u>

*As explained on page 10 of this report, \$1,735,339 was spent on such properties but \$164,673 of this amount was offset by free rent provided to the Harbor Department making a net increase in the City's investment of \$1,570,666.

Cash Repayment

The Harbor Department has paid the City \$4,080,000 in cash as partial repayment of the City's investment in the harbor.

Interest Earned by City
Treasury on Harbor Funds

Interest earned on Harbor Revenue Fund cash balances on deposit with the City Treasurer prior to 1961 has not been credited to the Harbor Department. According to State Legislative Counsel Opinion No. 19918, dated January 12, 1971, "the use by the City of Los Angeles of interest received from invested tideland revenue for general municipal purposes which are unconnected with the tideland trust purposes would not be in accord with the terms and conditions of the tidelands grants to the city." Therefore, interest earned should decrease the city's net investment. Interest earned prior to December 31, 1960 amounted to approximately \$3,832,441. Interest earned on Harbor Revenue Fund cash balances on deposit with the City Treasurer since 1961 has been credited to the Harbor Department.

Harbor Department Purchases of
Properties of a General Municipal
Nature Outside the Harbor Area

During the period 1908 to 1933, the Harbor Department spent \$1,735,339 for properties of a general municipal nature outside the harbor area. Most of this was for streets. However, \$164,673 went towards construction of the San Pedro City Hall. In return for this \$164,673 the Harbor Department received free rent in City Hall. Thus the net reduction of the City's investment is \$1,570,666.

Balance in Bond
Redemption and Interest Fund

The investment of the City of Los Angeles should be further reduced by \$167,442, which is the balance on deposit with the City Treasurer in the Bond Redemption and Interest Fund as of June 30, 1974.

Repayment of General Obligation Bond
Principal and Interest Payments Made
By the City for Harbor Improvements
Is Permissive In That It May Be Made
Only if Authorized and Only From
Surplus Funds

The Harbor Department has objected over the years to total repayment of general obligation bond payments made by the City based on occurrences in the early history of the harbor. One argument against total repayment of the general obligation bond payments has been the Consolidation Agreement of 1909. This agreement occurred prior to the consolidation of the Cities of Wilmington and San Pedro with the City of Los Angeles. At that time, consolidation committees of the three cities developed recommendations to be followed during consolidation. The Los Angeles Committee recommended in its report that the City expend \$10,000,000 for harbor improvement. This committee's report was approved and ratified on June 14, 1909 by the City Council of Los Angeles. Over the years, Harbor Department officials have contended that this \$10 million was not to be repaid by the Harbor Department to the City.

Therefore, if the above promise is honored by the present City Council of Los Angeles, the City's equity in the harbor will be reduced by approximately \$20 million consisting of the first \$10 million of bonds, which were issued by the City, and the related interest paid by the City. This \$20 million is part of the City's \$33,650,346 net investment in the Los Angeles Harbor.

Although the Los Angeles City Attorney has recognized the existence of a moral obligation arising from the manner in which harbor consolidation occurred, the State Legislative Counsel stated on September 4, 1946, and reaffirmed on January 22, 1971, that the Consolidation Agreement of 1909 was not a binding contract. Therefore, because the City of Los Angeles is not legally bound to the representations made in 1909, we included the \$20 million as part of the City's equity in the harbor.

Another argument against total repayment by the harbor to the City is that the City Councils of Los Angeles prior to 1925 did not intend that the harbor pay for the redemption and interest of harbor improvement bonds. Prior to 1925, the City Council could have set aside funds from the Harbor Revenue Fund for bond interest and redemption. During that period, no City Council set aside any funds for repayment. In 1925, the City Charter was changed, and authority for bond payments was transferred from the City Council to the Harbor Department (Sec. 145(4), L.A. City Charter).

According to State Legislative Counsel Opinion No. 15081, dated September 25, 1974, even though early City Councils did not transfer funds for repayment of bond principal and interest, the present City Council could now request repayments which, if authorized by the Board of Harbor Commissioners, under Section 145(4) of the City Charter, would be a lawful expenditure of trust funds. We therefore have included \$24.9 million in bonds issued prior to 1925 and the related interest as part of the City's investment subject to repayment.

However, if the present City Council of Los Angeles decides to disclaim the promises and intent of prior City Councils and now requests repayment of the bond principal and interest, another factor must be considered before any repayment of the equity is made. That factor is that repayment of such bond interest and principal is permissive and not mandatory on the part of the Board of Harbor Commissioners (Sec. 145(4), L.A. City Charter).

According to provisions of the Los Angeles City Charter, funds for the repayment to the City for general obligation bond principal and interest paid by the City out of general tax revenues for harbor improvements may only be paid from funds in the Harbor Revenue Fund which are surplus (Sec. 145(4), L.A. City Charter). Under the terms of the City Charter, surplus would exist only after necessary funds are expended for harbor maintenance and operations, payment of principal and interest on Harbor Revenue Bonds and necessary improvement for the harbor (Secs. 145, 146, L.A. City Charter).

According to the City Attorney for the City of Los Angeles, the City Charter requires expenditures to be made in the following order:

1. for maintenance and operation of the harbor
2. for payment of principal and interest on harbor revenue bonds
3. for harbor improvements.

After necessary expenditures for those purposes, the Harbor Revenue Fund may be expended for payment of current principal and interest on harbor improvement bonds or for an employee pension plan without regard to priority between the two.

From any surplus that then may remain, moneys in the Harbor Revenue Fund may then be used to return and pay into the general fund of the city, any sums paid by the City from funds raised by taxation for the payment of principal or interest of any municipal bonds issued by the City for or on account of the harbor improvement works to which such revenue fund pertains (Sec. 145(4), L.A. City Charter).

It is permissive, but not mandatory, for the Harbor Department to repay to the City of Los Angeles the \$33,650,346 net investment in the harbor. Further, repayments of the portion of this net investment pertaining to the general obligation bond payments made by the City can only be made if surplus remains after the payment of all necessary harbor expenditures as specified in the Los Angeles City Charter.

CONCLUSION

We conclude that prior to making such repayments, the Board of Harbor Commissioners should assure itself that all necessary expenditures, as specified in the City Charter, have been paid, and that surplus funds actually exist for such repayments.

THE BILLING SUBMITTED TO THE LOS ANGELES
CITY COUNCIL BY THE CITY ADMINISTRATIVE
OFFICER FOR \$3.4 MILLION FOR FIRE PROTECTION
AND OTHER SERVICES PROVIDED TO THE HARBOR
DEPARTMENT DURING FISCAL YEAR 1973-74
IS OVERSTATED BY AN ESTIMATED \$810,000.

The Los Angeles City Administrative Officer sent a request to the Los Angeles City Council on June 14, 1974 asking for payment from the Harbor Department of \$3.4 million for fiscal year 1973-74.

The City Council, on August 8, 1974, authorized the City Administrative Officer to submit a bill to the Harbor Department for services provided by city departments to the harbor for fiscal year 1973-74. Bills for four previous fiscal years are still under consideration by the council. The City Administrative Officer has not yet submitted the 1973-74 fiscal year bill to the Harbor Department.

Included in the \$3.4 million bill for fiscal year 1973-74 is \$35,000 for services provided to the Harbor Department by the Controller, Treasurer, and Personnel Department of the City. We did not review this \$35,000. We did review the remainder of the bill which was for fire protection charges.

Our review disclosed that the 1973-74 fire protection charges are overstated by an estimated \$810,000, or 24 percent.

The following schedule shows the overstatement of the 1973-74 fire protection charges:

Office of the Auditor General

Amount billed by City of Los Angeles to the Harbor Department for fire protection in fiscal year 1973-74	-\$3,365,000
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Less:

Overstatement for responses to locations not under harbor jurisdiction	(\$630,000)
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Overstatement for excessive allowance for false alarms within harbor jurisdiction	(180,000)
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Total overstatements	<u>(810,000)</u>
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Revised billing	<u>\$2,555,000</u>
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Overstatement for Responses
Not Under Harbor Jurisdiction

A review of a selected sample of fire department responses to the harbor district, used in calculating the special service billing to the Harbor Department, revealed that 21 percent of the fire boat charges and 14 percent of the land station charges were for responses to property outside Harbor Department authority. Property considered outside the Harbor Department's authority included federal and privately-owned land in the harbor area. As a result, the special service billing for the 1973-74 fiscal year is overstated by \$630,000.

Overstatement for
Excessive False Alarms

Another characteristic observed during the review was an unusually high incidence of accidental false alarms. Within the selected sample period, 40 percent of the responses to the harbor district were accidental false alarms.

and 85 percent of these false alarms were to the same harbor tenant. This occurred because of a faulty alarm system which the fire department did not require to be promptly corrected. The billing process used by the fire department did not differentiate those false alarms from regular fire calls. The normal rate of false alarm calls in Los Angeles is approximately 20 percent, or approximately one-half of the amount of calls that occurred in the harbor during the sample period. Thus, based on the city-wide average false alarm rate of 20 percent, the billing was overstated by an estimated \$180,000.

Fire Department Response
To Tenant Property

An analysis of the remaining responses for which the harbor was billed showed that 88 percent of the calls were for harbor tenant property.

Harbor tenants directly benefit from fire protection in safeguarding their assets, reducing contingencies, and allowing for lower insurance rates. Tenants pay city taxes in the form of possessory interest and personal property taxes and are entitled to fire protection as would any other constituent of the City of Los Angeles. The harbor tenants paid taxes of approximately \$6 million to the County of Los Angeles in 1973-74 of which the City of Los Angeles received almost \$1.5 million for city services.

However, according to Legislative Counsel Opinion No. 15582, dated August 20, 1974, the city legally can charge the Harbor Department for fire protection provided to harbor tenants even though the tenants pay property taxes for the same service.

Since the Harbor Department tenants already pay possessory interest and personal property taxes to finance general city services such as fire protection services, as a matter of equity, the harbor should be billed only for responses to property it uses as opposed to property it leases to tenants. Charges for fire protection services in 1973-74 would then be only \$300,000, rather than the \$2,555,000, as shown on page 16. However, since the city can legally charge for these services, we have not included the \$2,255,000 difference as an overstatement of the City's fiscal year 1973-74 request for payment.

RECOMMENDATION

We recommend that the Los Angeles City Administrative Officer reduce its billing to the Harbor Department for fire protection and other services provided to the harbor during fiscal year 1973-74 by \$810,000 prior to submission of the bill to the Harbor Department.

BENEFITS

Implementation of this recommendation will result in a more correct billing by the City of Los Angeles to the Harbor Department.

THE HARBOR DEPARTMENT DID NOT BILL
THE CITY OF LOS ANGELES APPROXIMATELY
\$800,000 FOR RENT OF HARBOR LAND USED
BY THE CITY FOR GENERAL CITY PURPOSES
DURING FISCAL YEAR 1973-74

During fiscal year 1973-74, numerous departments of the City of Los Angeles used harbor land for general city purposes. The Harbor Department determined that the rental value for these lands would be approximately \$800,000 based on an eight and one-half percent return on the estimated value of the land and water areas used by the other city departments if the land were rented by the Harbor Department to private parties. We concur that the \$800,000 is reasonable. This rental was not billed to the City by the Harbor Department.

The following schedule shows the types of general city purposes for which harbor land was used and the rent not billed during fiscal year 1973-74:

<u>Agency</u>	<u>Use</u>	<u>Rental Value</u>
Personnel Department	Police auto driving and training	\$365,000
Recreation and Parks	Playground	145,000
	Landing ramp	55,000
	Fishing pier	20,000
Public Works	Sewage treatment plant	150,000
	Pumping plants	20,000
Fire Department	Fire stations	<u>45,000</u>
Total rent not billed		<u>\$800,000</u>

RECOMMENDATION

We recommend that the Harbor Department bill the City of Los Angeles \$800,000 for harbor land used by the City for general city purposes during fiscal year 1973-74.

BENEFITS

Implementation of this recommendation will result in a proper billing by the Harbor Department to the City of Los Angeles.

SUMMARY OF COMMENTS OF THE GENERAL MANAGER
OF THE HARBOR DEPARTMENT AND HIS STAFF
AND REPRESENTATIVES OF THE
CITY ADMINISTRATIVE OFFICER AND CITY ATTORNEY

1. The Board of Harbor Commissioners may decide to borrow money in the near future for the purpose of financing additional capital improvements for the Harbor Department. If the commission takes such action, there would not be a harbor surplus to finance repayments to the City of Los Angeles for a number of years.
2. It is very difficult to interpret the precise meaning of surplus as cited in the Los Angeles City Charter. An "operating" surplus has existed at the harbor from time to time.
3. The Harbor Department is considering requesting that any billing to the harbor for fire protection services not include the cost of fire protection provided harbor tenants on the basis that tenants already pay property taxes and should be entitled to fire protection.
4. It is not appropriate to charge rent for City Recreation and Park Department use of harbor lands since the Harbor Department itself could use such lands for recreation and park purposes.
5. The City Administrative Officer is considering revisions of his 1973-74 billing to the Harbor Department for fire protection and other services.



Harvey M. Rose
Auditor General

Date: October 11, 1972

Staff: Glen H. Merritt
John H. McConnell
Donald P. Musante
John P. Knapp